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**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO. 1  
Jennings, Louisiana**

**General Purpose Financial Statements  
And Independent Auditor's Report  
As of and for the Year Ended December 31, 2002**

Under provisions of state law this report is a public document. A copy of the report has been furnished to the mayor and other appropriate public officials. The report is available for public inspection at the Clerk of the House office of the Legislative Auditor and, where appropriate, at the office of the parish council seat.

Released Date 4/10/03

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO. 1  
Jennings, Louisiana

General Purpose Financial Statements  
And Independent Auditor's Report  
As of and For the Year Ended December 31, 2002

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## INDEPENDENT AUDITOR'S REPORT

To the Board Member of the  
Jefferson Davis Parish  
Water & Sewer Commission No. 1  
Lake Arthur, Louisiana

I have audited the accompanying general purpose financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission), as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with accepted auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, I have also issued my report dated August 14, 2003, on my consideration of the Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commission. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the general purpose financial statements of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Certified Public Accountant

Jennings, Louisiana  
August 14, 2003

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**PROPRIETARY FUND - ENTERPRISE FUND**  
 (All Fund Types and Account Groups)  
**BALANCE SHEET**  
 As of December 31, 2001

**ASSETS**

**Current assets:**

Cash and equivalents	\$	-
Investments- certificates of deposit		46,414
Accrued interest receivable		187
Accounts receivable-customers		34,790
Due from other governments- USDA Grant		15,481
Prepaid expenses		1,079
Total current assets		<u>93,851</u>

**Restricted assets:**

Cash and equivalents		95,414
Investments- certificates of deposit		9,584
Total restricted assets		<u>105,000</u>

**Deferred charges:**

Loan costs, net of amortization		<u>36,949</u>
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**Fixed assets:**

Land		39,284
Plant, systems and equipment		1,591,423
Accumulated depreciation		(296,381)
Contributions in progress		37,376
Total fixed assets		<u>1,381,702</u>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,640,812</u></b>
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**LIABILITIES AND FUND EQUITY**

**Current liabilities:**

Accounts payable	\$	37,504
Contracts payable		11,480
Salaries, payroll and other taxes payable		3,040
Accrued interest payable		1,798
Due to other governments		4,500
Current portion revenue bonds payable		24,919
Total current liabilities		<u>83,241</u>

**Current liabilities payable from restricted assets:**

Customer deposits		80,111
Total current liabilities payable from restricted assets		<u>80,111</u>

**Noncurrent liabilities:**

Revenue bonds payable, net of current portion		1,387,038
Total noncurrent liabilities		<u>1,387,038</u>
Total liabilities		<u>2,050,390</u>

**Fund equity (deficit):**

Contributed capital:		
Federal government		1,487,308
Intergovernmental		196,628
Total contributed capital		<u>1,683,936</u>
Retained earnings (deficit):		
Unreserved-undesignated - deficit accumulated		(82,015)
Total retained earnings (deficit)		<u>(82,015)</u>
Total fund equity		<u>1,601,921</u>

<b>TOTAL LIABILITIES AND FUND EQUITY (DEFICIT)</b>	<b>\$</b>	<b><u>1,640,812</u></b>
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The accompanying notes are an integral part of this statement.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**PROPRIETARY FUND-ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS (DEFICIT)**  
**For the Year Ended December 31, 2001**

**OPERATING REVENUES :**

Charges for sales and services:	
Water sales	\$ 267,708
Customer penalties	1,867
Tap and other connection fees	4,009
Other income	854
Total operating revenues	<u>274,438</u>

**EXPENDITURES :**

Salaries and related benefits (net of amounts capitalized of \$11,599):	
Salaries	92,468
Payroll taxes	7,321
Worker compensation insurance	9,373
Board per diem payments	3,868
Operating services:	
Advertising	1,088
Bank charges	318
Copy lease	1,894
Software maintenance	1,256
Data and subscriptions	208
Insurance-general	3,243
Licenses and fees	176
Miscellaneous expenses	1,493
Professional fees	8,421
Postages	284
Postage	2,957
Reimbursements	8,333
Telephone	3,164
Utilities	17,253
Materials, supplies and repairs:	
Office expenses	1,438
Repairs and maintenance	16,722
Supplies and chemicals	24,877
Depreciation expense	61,588
Total operating expenses	<u>289,111</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(14,673)</u>

**NON-OPERATING REVENUES (EXPENSES) :**

Other non-operating revenue	73
Interest income	1,548
Interest expense (net of amounts capitalized of \$41,563)	(23,321)
Amortization of bond issue costs	(113)
Total non-operating revenues (expenses)	<u>(21,393)</u>

**NET INCOME (LOSS)** (36,066)

**RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR** 14,732

**RETAINED EARNINGS (DEFICIT) AT END OF YEAR** \$ (21,334)

The accompanying notes are an integral part of this statement.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**PROPRIETARY FUND - ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
*For the Year Ended December 31, 2012*

<b>Cash flows from operating activities:</b>	
Operating income (loss)	\$ (25,403)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	61,688
Net changes in assets and liabilities:	
Decrease (increase) in receivables	62,256
Decrease (increase) in prepaid expenses	11,139
Increase (decrease) in accounts payable	15,179
Increase (decrease) in construction contracts and retainage payable	(231,256)
Increase (decrease) in salaries, payroll and other taxes payable	(888)
Increase (decrease) in customer deposits payable	41,260
Increase (decrease) in accrued liabilities	(222)
Net cash provided (used) by operating activities	<u>(188,183)</u>
<b>Cash flows from capital and related financing activities:</b>	
Principal payments on revenue bonds	(18,905)
Interest paid on revenue bonds and construction debt	(288,546)
Construction and equipment purchases	(806,262)
Land acquisition costs	(1,888)
Contributed capital- capital grants	514,100
Cash received from merger of other districts	123,240
Net cash provided (used) by capital and related financing activities	<u>223,699</u>
<b>Cash flows from investing activities:</b>	
Interest income received on investments	1,809
Purchase of investments	(56,868)
Other	73
	<u>(54,986)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>59,210</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>17,288</u></b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u>76,418</u></b>
<b>Cash and cash equivalents at end of year consist of:</b>	
Unrestricted cash	\$ -
Restricted cash	76,418
<b>Total</b>	<b>\$ <u>76,418</u></b>

The accompanying notes are an integral part of this statement.

## JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1

### Notes to the Financial Statements

#### INTRODUCTION

The Water and Sewer Commission No. 1 of the Parish of Jefferson Davis (Commission) was created by the Jefferson Davis Parish Police Jury pursuant to (LSA-RS 33.3811) in 1999. The Commission has the power and authority, within its boundaries, to establish, acquire, construct, improve, extend and maintain a waterworks system. The Commission is a subdivision of the State of Louisiana and may issue bonds and levy taxes in accordance with Article 6, Section 90.

Under the provision of LSA-RS 33.8812, the Commission shall be governed and controlled by five commissioners who shall be the governing authority of the district. These commissioners must be a resident of and own at least the five hundred dollars worth of real estate in the district, or they must be the representative of some corporation owning at least five hundred dollars in real estate in the district. These commissioners are appointed by the Jefferson Davis Police Jury. All commissioners shall serve at the pleasure of the authority which appointed them.

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. BASIS OF PRESENTATION

The accompanying general purpose financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

##### B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Jefferson Davis Parish Police Jury is the financial reporting entity for Jefferson Davis Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Jefferson Davis Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

## JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1

### Notes to the Financial Statements

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the board and has the ability to impose its will on that organization, the commission was determined to be a component unit of the Jefferson Davis Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the commission and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

### C. FUND ACCOUNTING

The Jefferson Davis Parish Water and Sewer Commission No. 1 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

### D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Commission, a special purpose single proprietary fund type, is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Commission applies all applicable FASB pronouncements in accounting and reporting for its operations.



## JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1

### Notes to the Financial Statements

#### E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law or any other state of the United States, or under the laws of the United States.

#### F. PREPAID EXPENSE

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### G. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible fixed assets are charged as an expense against operations. Fixed assets reported on the balance sheet are net of accumulated depreciation, exclusive of those reported under construction in progress. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Waterhead and pumped	10-50 years
Storage and treatment plant	5-50 years
Water distribution system	10-50 years
Computer system	5 years
Equipment - Plant	3-20 years
Vehicles	5 years

#### H. FUND EQUITY

##### Contributed Capital

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

## JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION 501

### Notes to the Financial Statements

#### Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use. Upon completion and acceptance of the newly constructed system, the district will be required to maintain certain cash reserves as mandated by the loan agreement with the United States Department of Agriculture's Rural Development Division.

#### I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### J. CAPITALIZATION OF INTEREST

FAS-34 (Capitalization of Interest Cost) requires that interest expenditures incurred during construction of assets be capitalized. FAS-63 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets finance with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. Net interest costs capitalized totaled \$41,563 during 2002.

#### K. DEFERRED CHARGES

The various fees incurred in connection with obtaining and issuing the revenue bonds have been capitalized and are being amortized over a period equal to the term of the bond using the interest method. Amortization expense amounted to \$112 for the year ended December 31, 2002.

### 2. FUND DEFICITS

At December 31, 2002, the unreserved retained earnings deficit totals \$63,015. Management expects that this deficit will eventually be eliminated subsequent to completion of Phase II construction project. The completion of Phase II is expected to take place in 2004. Management expects that deficits may continue through 2004 and begin reversing in 2005, which would represent the first year of full operation for the entire waterworks system within its jurisdictional boundaries.

# JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1

## Notes to the Financial Statements

### 3. DEPOSITS AND INVESTMENTS

#### Deposits

At December 31, 2002, the Commission has cash equivalents (book balances) totaling \$96,416 as follows:

Demand deposits	\$ 96,416
	<hr/>
Total Book Balances	\$ 96,416

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2002, the Commission has \$ 100,629 in deposits (collected bank balances). These deposits are secured from risk by \$ 100,629 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 29:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

#### Investments

The Commission invests only in certificates of deposit. Investments are categorized into the following three categories of credit risk in accordance with GASB 3 to give an indication of the level of risk assumed by the Commission.

Category 1 - includes investments that are insured or registered, or securities held by the government or its agent in the Commission's name.

Category 2 - includes investments that are uninsured and unregistered, with securities held by the county/parish's trust department or agent in the Commission's name.

Category 3 - includes investments that are uninsured and unregistered, with securities held by the county/parish, or by its trust department or agent but not in the Commission's name.

# JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1

## Notes to the Financial Statements

At year-end, the Commission's investment balances were as follows:

<u>Investment Type</u>	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificate of Deposit	\$ 36,060	\$ 36,060	\$ 36,060
Total	<u>36,060</u>	<u>36,060</u>	<u>36,060</u>
Total Investments		<u>36,060</u>	<u>\$ 36,060</u>

A reconciliation of deposits and investments as shown on the Balance Sheet are as follows:

Carrying amount of deposits	\$ 96,416
Carrying amount of investments	<u>36,060</u>
Total	<u>\$ 132,476</u>
Cash equivalents - Restricted	\$ 96,416
Investments	<u>46,474</u>
Investments - Restricted	<u>9,586</u>
Total	<u>\$ 152,476</u>

## 4. RECEIVABLES

The following is a summary of receivables at December 31, 2002:

Customer receivables:	
Current	\$ 21,423
Past Due	<u>3,167</u>
Gross receivables	<u>24,790</u>
Less: allowance for doubtful accounts	<u>-</u>
Net total receivables	<u>\$ 24,790</u>

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on an assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

# JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1

## Notes to the Financial Statements

### 5. RESTRICTED ASSETS

Assets were restricted for the following purposes as of December 31, 2002:

Customer deposits	\$	90,115
Revenue bond operations and maintenance account		2,712
Revenue bond construction account		7,195
Revenue bond current debt service sinking fund account		100
Revenue bond future debt service reserve account		2,940
Revenue bond depreciation and contingency account		<u>3,940</u>
Total	\$	<u>106,002</u>

### 6. FIXED ASSETS

A summary of fixed assets at December 31, 2002, follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Waterworks and pumped	\$ 234,596	\$ 76,861	\$ 157,735
Storage and treatment plant	1,518,975	79,485	1,239,489
Water distribution system	1,945,541	90,903	1,854,638
Computer system	18,292	6,063	12,229
Equipment - Fleet	58,808	907	57,899
Vehicles	21,411	2,341	19,270
Land	19,284	-	19,284
Construction in Progress	37,376	-	37,376
Total	<u>\$ 3,682,083</u>	<u>\$ 256,560</u>	<u>\$ 3,425,523</u>

### 7. LONG-TERM DEBT

The long-term debt of the Commission consist of revenue bonds payable to the United States Department of Agriculture. Changes in long-term debt for the year are as follows:

	<u>Balance at 12/31/01</u>	<u>Assessed in Margin</u>	<u>Reductions</u>	<u>Balance at 12/31/02</u>
Revenue Bonds Payable	\$ <u>1,038,000</u>	\$ <u>10,873</u>	\$ <u>18,935</u>	\$ <u>1,029,938</u>

# JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1

## Notes to the Financial Statements

Long-term debt as December 31, 2002 is comprised of the following:

\$1,760,000 US Department of Agriculture revenue bond, dated August 21, 2001, one interest only payment of \$37,362.50 due August 21, 2002, thereafter payable in monthly installments of \$6,671.79, including principal and interest, to August 21, 2046, interest at 3.25%,	\$	1,757,439
\$165,000 US Department of Agriculture revenue bond, dated August 21, 2004, one interest only payment of \$7,425 due August 21, 2005, thereafter payable in monthly installments of \$748.03, including principal and interest, to August 21, 2041, interest at 4.5%,		164,483
	\$	<u>1,921,922</u>

The annual requirements to service all debt outstanding including interest are as follows:

Year Ending December 31	Principal	Interest	Total
2003	34,917	64,132	\$ 99,049
2004	25,381	63,468	88,849
2005	26,636	62,423	89,059
2006	27,327	61,522	88,849
2007	28,459	60,590	89,049
2008-2012	157,082	288,366	445,248
2013-2017	183,797	299,451	483,248
2018-2022	218,594	323,654	542,248
2023-2027	259,614	355,834	615,248
2028-2033	306,931	398,297	705,248
2033-2037	363,220	450,028	813,248
Thereafter	<u>256,570</u>	<u>38,460</u>	<u>295,030</u>
Total	<u>1,921,922</u>	<u>1,599,833</u>	\$ <u>3,521,755</u>

## B. COMPENSATED ABSENCES

At December 31, 2002, the Commission had no policy of allowing vacation or sick leave benefits to roll. Therefore, the accompanying financial statements do not contain a provision nor a liability for compensated absences.

# JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1

## Notes to the Financial Statements

### 9. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. As of December 31, 2002, the Commission carries commercial insurance for the aforementioned risk. General liability coverage is maintained through a commercial insurance policy provided by the Jefferson Davis Parish Police Jury. During the construction phase, contractor nonperformance and liability risk was protected by requiring each contractor to post a performance bond and a certificate of liability insurance coverage for approved contracts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years or since inception of the Commission, which over is loss.

### 10. INTEREST COST

Interest costs recorded in financial statements consist of the following:

Interest paid	\$	86,347
Interest accrued change		<u>(21,682)</u>
Total interest recorded		64,664
Less amount capitalized in construction in progress		<u>(41,343)</u>
Amount charge to expense	\$	<u>23,321</u>

### 11. SUBSEQUENT EVENTS

Subsequent to December 31, 2002, the Commission received approval of an additional grant in the amount of \$210,000 and long-term financing in the amount of \$1,049,000 from the United States Department of Agriculture- Rural Utility Systems to fund the Phase II expansion of the water distribution system. Phase II will expand the distribution system westward and provide for an administrative office building.

Contract commitments for Phase II construction costs was \$2,653,548 as of December 31, 2002.

### 12. LITIGATION AND CLAIMS

The Commission is not presently involved in any litigation as plaintiff or defendant.

# JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1

## Notes to the Financial Statements

### 1A. NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Effective January 1, 2002, JD Parish Waterworks District No. 1 and No. 2 were merged into the Commission. In conjunction with the merger, assets were received and liabilities were assumed as follows:

Receivables	\$	7,067
Land		1,829
Plant, system and equipment		282,923
Accumulated depreciation		<u>(194,573)</u>
Total non-cash assets acquired in merger of other districts		97,246
Liabilities assumed in merger		<u>(21,653)</u>
Net non-cash intergovernmental capital contributed		75,593
Cash received in merger		<u>121,240</u>
Total intergovernmental capital contributed	\$	<u>196,833</u>



## SUPPLEMENTAL INFORMATION SCHEDULES

JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO. 1  
Schedule of Compensation and other Expenses Paid to Commissioners  
For the Year Ended December 31, 2002

Board Member

Gregory Boudelon	\$	840
Mike Perry		780
Don Johnson		960
Irving Jones		780
Raymond Brown		800
Chad Woods		720
John Janssen		<u>900</u>
	\$	<u>5,880</u>

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO. 1**

**Additional Information Required by United States Department of Agriculture  
For the Year Ended December 31, 2002**

1. Accounts receivable for sales of water were aged as follows:

Current	\$	21,425
Past Due		<u>1,157</u>
	\$	<u>24,380</u>

2. Estimated number of customers as of year end:

Residential	1,111
Commercial	34

3. Schedule of insurance in force was as follows:

Policy No.	Company	Agent	Type Coverage	Amount Coverage	Effective From	Date To
MT10105-002	LA Government Risk Management		Workers' Compensation	\$1,000,000	1/1/02	12/31/02
68871827	Western Surety Company	Ed Cassidy Insurance Agency, Inc.	Employer Bond	\$366,000	2/24/02	2/24/03
CFF850442	Aetna Insurance Company	Bethrand Insurance Agency Bethrand	Commercial Fire	\$550,688	5/24/02	5/24/03
17746760	Progressive Insurance American International	Insurance Agency	Vehicle	\$21,000	7/2/02	1/3/03
CFF950250	South Western Insurance Firm Bureau Insurance Company	Daly Williams Agency, Inc.	Commercial Fire	\$14,000	6/15/02	6/15/03
IM 806734			Farm Equipment	\$8,000	10/13/02	10/13/03

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO. 1**

**Additional Information Required by United States Department of Agriculture  
For the Year Ended December 31, 2002**

*Coverage maintained through policy purchased by the Jefferson Davis Parish Police Jury:*

<u>Policy No.</u>	<u>Company</u>	<u>Agent</u>	<u>Type Coverage</u>	<u>Amount Coverage</u>	<u>Effective From</u>	<u>Date To</u>
GPO8009936	St. Paul Fire & Marine Insurance	Daly Williams Agency, Inc.	General Liability	Occurrence \$1,000,000 Aggregate \$2,000,000	2/1/02	2/1/03

4. Schedule of approved water rates were as follows:

0 to 2,000 gallons are billed \$13.00 minimum

Consumption over 2,000 gallons is charged \$2.85 per every 1000 gallons thereafter

10% late fee is assessed on past dues

## OTHER REPORTS

JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2002

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
<b>Direct Programs:</b>			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 314,100
Total U.S. Department of Agriculture			<u>\$14,100</u>
Total Expenditures of Federal Awards			<u>\$ 314,100</u>

See accompanying notes to schedule of expenditures of federal awards.

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Jefferson Davis Parish Water and Sewer Commission No. 1 and is presented on the accrual basis of accounting, the same basis as the accompanying financial statements are presented. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. All information is presented for the fiscal year ending December 31, 2002. Since some of the grants cover more than twelve (12) month periods, the amounts contained in the accompanying schedule of expenditures of federal awards may differ from the financial status reports filed with the grantor agency.

**2. SUMMARY OF GRANT AND LOAN MONIES EXPENDED**

The Water and Waste Disposal System for Rural Communities Program (CFDA No. 10.709) is designed to assist rural communities in obtaining safe drinking water and adequate waste facilities, which are a prerequisite for economic growth. Under this program, U.S. Department of Agriculture's Rural Utilities System awards direct loans and project grants for new and improved water and waste systems. The following is a summary of both grant and loan monies expended during the year ending December 31, 2002 as reported in the accompanying schedule of expenditures of federal awards:

Grant expenditures	\$	<u>314,100</u>
Total Expenditures of Federal Awards	\$	<u>314,100</u>

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1**

**SCHEDULE OF PRIOR YEAR FINDINGS  
For the Year Ended December 31, 2003**

**SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS**

No findings reported.

**SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL  
AWARDS**

No findings reported.

**SECTION III - MANAGEMENT LETTER**

No findings reported.



# Mike B. Gillespie, CPA

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Board Members of the  
Jefferson Davis Parish Water & Sewer Commission No. 1  
Lake Arthur, Louisiana

I have audited the financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission) as of and for the year ended December 31, 2002, and have issued my report thereon dated August 14, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* - see Finding 2002-1.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned cost as items 2002-1, 2002-2, 2002-3, and 2002-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above I consider items 2002-2, 2002-3, and 2002-4 to be material weaknesses.

This report is intended for the information and use of the Commission's board members, management, others within the organization, and the Louisiana Legislative Audit Advisory Council, and federal, state and local agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant

Jennings, Louisiana

August 14, 2003

# Mike B. Gillespie, CPA

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board Members of the  
Jefferson Davis Parish Water & Sewer Commission No. 1  
Lake Arthur, Louisiana

### Compliance

I have audited the compliance of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

In my opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

### Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I found no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Commission's board members, management, officers within the organization, federal awarding agencies and pass-through entities, and the Louisiana Legislative Audit Advisory Council and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

  
Certified Public Accountant

Jennings, Louisiana  
August 14, 2005

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
For the Year Ended December 31, 2002**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1.
2. Four reportable conditions were disclosed during the audit of the financial statements as reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Two of these reportable conditions were reported as a material weakness.
3. One instance of noncompliance material to the financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit - see Finding 2002-1.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Jefferson Davis Parish Water & Sewer Commission No. 1 expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the Jefferson Davis Parish Water & Sewer Commission No. 1 are reported in Section III of this Schedule.
7. A management letter was not issued.
8. The programs tested as major programs included:

<u>CFDA No.</u>	<u>Program Name</u>
16.360	Water and Waste Disposal Systems for Rural Communities

9. The threshold used for distinguishing between Type A and B programs was \$300,000.
10. The Jefferson Davis Parish Water & Sewer Commission No. 1 did not qualify as a low-risk auditee.

**SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

**Reportable Condition - Current Year Findings:**

**Finding 2002-1 : Delinquent Submission of Financial Statements**

**Condition:** Financial statements for the year ending December 31, 2002, were filed after June 30, 2003.

**Cause of Condition:** The Commission was in the development stage of building and bringing online the first phase of its waterworks system in addition to merging two pre-existing waterworks districts into its operations. A general ledger system was not implemented until January of 2003. Due to implementation and training delays bookkeeping personnel did not complete general ledger preparation until July 2003.

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
For the Year Ended December 31, 2003**

**Effect of Condition:** Non-compliance with requirements of Louisiana Legislative Auditor's Office and the Louisiana Governmental Audit Guide pursuant to LRS 24:513(A)(5)(a).

**Recommendation:** Procedures should be implemented by management to ensure that all information necessary for preparation of financial statements are completed in a timely manner.

**Auditor Response:** Our current accounting programs should and will provide us with more timely responses to the needs in the future for our auditing responsibilities. Surely in the next 60 days our staff will be current in data inputting and should be able to meet the next audit demands. *Auditor Contact - Mr. Alvin Richard, manager.*

**Finding 1001-2 : Deficiency in Internal Controls Concerning Customer Accounts Receivables**

**Condition:** Review of controls concerning customer accounts receivables disclosed a lack of proper controls and procedures.

**Cause of Condition:** Customer accounts receivable subsidiary ledgers were not being reconciled to general ledger control totals.

**Effect of Condition:** Receivables were understated \$135,181, sales tax payable was understated \$8,108, and revenues were understated \$127,074 at year end. The accompanying financial statements have been adjusted to correct this situation.

**Recommendation:** Management should implement procedures to ensure that accounts receivable subsidiaries are reconciled to the general ledger control accounts on a monthly basis. Someone other than the bookkeeper should compare the subsidiaries to the general ledger and approve completion of this procedure on a monthly basis.

**Auditor Response:** I concur with your findings, and our staff, limited as it may be, will incorporate proper controls to eliminate this recurrence in the current year and future. *Auditor Contact - Mr. Alvin Richard, manager.*

**Finding 1001-3 : Deficiency in Internal Controls Concerning Customer Deposits**

**Condition:** Review of controls concerning customer deposit payables disclosed a lack of proper controls and procedures.

**Cause of Condition:** Customer deposits payable subsidiary ledgers were not being reconciled to general ledger control totals. In addition, inquiries with the bookkeeping personnel indicated that unorthodox procedures were being used to develop the detail customer subsidiary ledger. Instead of using historical financial transaction information flowing in and out the customer deposit bank account, bookkeeping personnel were attempting to develop the subsidiary from a sign-up list provided by outside consulting engineers.

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
For the Year Ended December 31, 2002**

**Effect of Condition:** Customer deposits payable subsidiary ledger was not properly updated for all transactions that occurred during 2002. This caused the subsidiary ledger to be out of balance with the general ledger control account approximately \$45,000.

**Recommendation:** Management should implement procedures to ensure that customer deposits payable subsidiaries are developed in a systematic manner consistent with sound accounting practices and reconciled to the general ledger control accounts on a monthly basis. Use of customer sign-up list as the sole source of information to haphazardly enter deposit information into the subsidiary ledger should be discontinued. Someone other than the bookkeeper should compare the subsidiaries to the general ledger and approve completion of this procedure on a monthly basis.

**Auditor Response:** I agree with your findings, and efforts will be utilized to reconcile our general ledger to our customer deposit payable subsidiary ledger from the beginning of operations of our company to current and should be reconciled by year's end. **Auditor Contact:** - Mr. Alvin Richard, manager.

**Finding 2002-4: Mixing Purchase Invoices and Duplicate Payments**

**Condition:** A review of advertising expenditures disclosed isolated failures in operation of internal controls over expenditures.

**Cause of Condition:** Bookkeeping personnel issued checks for payment of advertising expenditures using statements instead of original detail invoices.

**Effect of Condition:** Management and bookkeeping personnel were unable to provide detail invoices for \$2,025.08 of advertising expenditures reported as paid to the Jennings Daily News. In addition, detail auditing procedures indicated that \$264.55 in advertising expenditures paid to the Jennings Daily News may represent duplicated payments. Final conclusions as to whether actual overpayments occurred were not determined due to the lack of detail invoices. The following is a summary of the aforementioned findings and associated amounts:

Date	Check No.	Total Paid	Missing Invoice	Possible Overpayment	Overpayment Comment
4/2/02	1187	\$285.48	\$25.00	None	None
5/1/02	1149	\$720.75	\$456.40	\$278.15	Also paid via check# 1187
6/26/02	1189	\$1,340.36	\$1,514.78	\$174.75	Also paid via check# 1149
10/15/02	1426	\$17.40	12.41	None	None
Total		\$2,464.32	\$2,025.08	\$264.55	

**Recommendation:** Management should not allow checks to be issued unless accompanied by original invoices. Procedures should be implemented to ensure that someone in a supervisory position other than the bookkeeper authorizes payments only after appropriate detail invoice substantiation has been provided. I suggest that this individual document such approval and authorization by notation such as an initial or signature.

**Auditor Response:** I concur with your findings. Discussions have already been had and controls have been put in place to avoid having this happen again. A review will be done on current year past processing to correct any that may have happened. **Auditor Contact:** - Mr. Alvin Richard, manager.

JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
For the Year Ended December 31, 1993

SECTION III -INTERNAL CONTROL AND COMPLIANCE MATERIAL TO MAJOR  
FEDERAL AWARDS

None reported.

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1  
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2002**

**SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

**Finding 2002-1 : Delinquent Submission of Financial Statements**

**Auditor's Recommendation:** Procedures should be implemented by management to ensure that all information necessary for preparation of financial statements are completed in a timely manner.

**Management's Corrective Action Plan:** Our current accounting programs should and will provide us with more timely response to the needs in the future for our auditing responsibilities. Surely in the next 60 days our staff will be current in data inputting and should be able to meet the next audit demands. *Auditor's Consent* – Mr. Alvin Richard, manager.

**Finding 2002-2 : Deficiency in Internal Controls Concerning Customer Accounts Receivable**

**Auditor's Recommendation:** Management should implement procedures to ensure that accounts receivable subsidiaries are reconciled to the general ledger control accounts on a monthly basis. Someone other than the bookkeeper should compare the subsidiaries to the general ledger and approve completion of this procedure on a monthly basis.

**Management's Corrective Action Plan:** I concur with your findings, and our staff, limited as it may be, will incorporate proper controls to eliminate this recurrence in the current year and future. *Auditor's Contact* – Mr. Alvin Richard, manager.

**Finding 2002-3 : Deficiency in Internal Controls Concerning Customer Deposits**

**Auditor's Recommendation:** Management should implement procedures to ensure that customer deposits payable subsidiaries are developed in a systematic manner consistent with sound accounting practices and reconciled to the general ledger control accounts on a monthly basis. Use of customer sign-up list as the sole source of information to haphazardly enter deposit information into the subsidiary ledger should be discontinued. Someone other than the bookkeeper should compare the subsidiaries to the general ledger and approve completion of this procedure on a monthly basis.

**Management's Corrective Action Plan:** I agree with your findings, and efforts will be utilized to reconcile our general ledger to our customer deposit payable subsidiary ledger from the beginning of operations of our company to current and should be reconciled by year's end. *Auditor's Contact* – Mr. Alvin Richard, manager.

**Finding 2002-4 : Missing Purchase Invoices and Duplicate Payments**

**Auditor's Recommendation:** Management should not allow checks to be issued unless accompanied by original invoices. Procedures should be implemented to ensure that someone in a supervisory position other than the bookkeeper authorizes payments only after appropriate detail invoice substantiation has been provided. I suggest that this individual document such approval and authorization by notation such as an initial or signature.



**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION HOLD  
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2003**

Management's Corrective Action Plan: I concur with your findings. Discussions have already been had and controls have been put in place to avoid having this happen again. A review will be done on current year past processing to correct any that may have happened. Auditors Contact - Mr. Alvin Richard, manager.

**SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

No current year findings reported.

**SECTION III - MANAGEMENT LETTER**

No current year findings reported.

\* \* \* \* \*

**THIS CORRECTIVE ACTION PLAN HAS BEEN PREPARED BY MANAGEMENT**